

Credit Issues Surrounding Pension Liabilities & Pension Bonds

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Increase in Unfunded Pension Liability May Cause a Rating Change if it is Due to...

- significant increase in benefits with no long-term funding plan in place.
- unrealistic earnings or other assumptions.
- investment practices that are not conservative.
- annual contributions less than the actuarially determined amount.



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Factors Assessed in Rating POBs

- Core Credit Factors—Economy, Debt Profile, Finances, and Management.
- Security Features of the POB—Specific Security, Pension Override Taxes Pledged, et. al.
- Judicial Validation.
- Structural Features of the POB—Level v. Escalating Debt Service, Term of Debt, Variable v. Fixed Rate Debt.
- Portion of Unfunded Liability Funded by POBs.
- Plan for Investing Proceeds.

